

## Message Text

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ORIGIN AF-10

INFO OCT-01 EUR-12 NEA-10 ISO-00 AID-05 EB-07 TRSE-00  
AGRE-00 COME-00 OMB-01 IO-13 PM-04 NSC-05 SP-02  
SS-15 CIAE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01  
/100 R

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APPROVED BY AF:DBOLEN  
AF/EP:RDUNCAN  
AID/AA/AFR:GBUTCHER (DRAFT)  
-----082616 160323Z /62

P R 160133Z JUL 77  
FM SECSTATE WASHDC  
TO AMEMBASSY DJIBOUTI PRIORITY  
INFO AMEMBASSY PARIS  
AMEMBASSY JIDDA  
AMEMBASSY MOGADISCIO  
AMEMBASSY ADDIS ABABA

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E.O. 11652: GDS

TAGS:DJ, US, PDEV, EAID, SO, ET, FR, SA

SUBJECT:DJIBOUTI MINISTER'S VIEWS ON ECONOMY AND US AID

REF: A. STATE 161374, B. STATE 160154

1. IN HIS CONVERSATIONS IN WASHINGTON JULY 8 WITH OFFICIALS  
OF THE DEPARTMENT OF STATE AND AID, DJIBOUTI MINISTER OF  
PLANNING AND DEVELOPMENT ABDALLAH KAMIL SKETCHED AN OUTLINE  
OF THE STATE OF DJIBOUTI'S ECONOMY AND HIS HOPE FOR ITS  
DEVELOPMENT.

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2. ACCORDING TO KAMIL, WHILE THE PORT AND RAILROAD ARE  
IMPORTANT ECONOMIC RESOURCES, MORE THAN FIFTY PERCENT OF  
THE ECONOMIC ACTIVITY IS THE RESULT OF THE PAYMENTS MADE  
BY AND IN DIRECT SUPPORT OF THE FRENCH MILITARY AND CIVILIAN  
BUREAUCRATIC PRESENCE. THERE IS NO AGRICULTURE AND THE  
ONLY INDUSTRIES ARE THE COCA COLA AND PEPSI COLA BOTTLING  
PLANTS.

3. AT PRESENT THE DJIBOUTI FRANC IS BACKED BY DOLS 21 MILLION IN THE FRANCO-AMERICAN CORPORATION IN NEW YORK. THIS FIGURE SLIGHTLY EXCEEDS EXISTING MONEY SUPPLY. TO RETAIN CONFIDENCE IN CURRENCY, THE GOVERNMENT IS DETERMINED TO MAINTAIN A BALANCED BUDGET AND AVOID INFLATIONARY MEASURES. THE REPUBLIC HOPES TO MAINTAIN CONVERTIBILITY OF CURRENCY AND FAVORABLE TAX REGIME TO INDUCE CAPITAL TO REMAIN IN DJIBOUTI BANKING SYSTEM.

4. WHILE MENTIONING IN PASSING THE NEED FOR A POLICY TO FAVOR BOTH SMALL MANUFACTURING FOR LOCAL CONSUMPTION AND LARGER MANUFACTURING WHICH CAN SUPPLY FOREIGN MARKETS, KAMIL PUT MAJOR EMPHASIS ON NEED TO DEVELOP AGRICULTURE. OTHERWISE, DJIBOUTI WOULD NEVER BE ABLE TO FEED ITSELF AND WOULD BE CONSTANTLY AT THE MERCY OF WORLD MARKET PRICES FOR ITS STAPLES. SUCH DEPENDENCE FOR A POOR COUNTRY COULD SPELL DISASTER. SPEAKING PERSONALLY RATHER THAN FOR THE GOVERNMENT, KAMIL SAID HE HOPED USG WOULD CONCENTRATE ITS EFFORTS ON HELPING DJIBOUTI LAUNCH ITS AGRICULTURAL EFFORT. HE BELIEVED THAT IF 10,000 HECTARES WERE PUT UNDER CULTIVATION, THE FOOD PROBLEM WOULD BE SOLVED. FIRST, HOWEVER, EXPERTS WOULD BE NEEDED TO ANALYZE THE SOIL AND WATER RESOURCES. KAMIL SAID EXTANT WATER SOURCES SUFFICIENT FOR 1,000 HECTARES WERE NOW AVAILABLE.

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5. AID OFFICIALS INDICATED A WILLINGNESS TO

INVESTIGATE POSSIBILITIES FOR AGRICULTURAL PRODUCTION BY SENDING SEVERAL EXPERTS OUT TO DISCUSS A DEVELOPMENT PROGRAM IN GREATER DETAIL. OFFICIALS ALSO SUGGESTED THAT PL-480 PROGRAM MIGHT ASSIST IN MEETING IMMEDIATE NEED IN DJIBOUTI AND ASKED KAMIL TO SUPPLY FIGURES ON ANNUAL FOOD IMPORTS. KAMIL AGREED TO PASS SUCH FIGURES TO CHARGE CLARKE.

6. ACTION: FIRST STEP WILL BE FOR DJIBOUTI GOVERNMENT TO FORMALLY REQUEST AN AID SURVEY TEAM. IF REQUEST RECEIVED QUICKLY, WE HOPE TO HAVE SURVEY TEAM IN DJIBOUTI IN TIME TO RETURN AND PREPARE REPORT FOR ACTION WHEN KAMIL RETURNS TO US IN SEPTEMBER FOR UN MEETING. VANCE

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Reference:** 77 STATE 161374, 77 STATE 160154  
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**Subject:** DJIBOUTI MINISTER'S VIEWS ON ECONOMY AND US AID  
**TAGS:** PDEV, EAID, OVIP, FT, US, SO, ET, FR, SA, (ABDALLAH KAMIL)  
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